

# Glossary of Terms

## A

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### **Age Factor**

A percentage determined by your age on the last day of the month in which your retirement becomes effective. It equals 2 percent at age 60 and is reduced by  $\frac{1}{2}$  of 1 percent for each month or fraction of a month in which the member is under 60 but at least 55. For members seeking early retirement who are age 50, but under age 55, the factor is further reduced by  $\frac{1}{4}$  of 1 percent for each month or partial month under age 55. For members over age 60, the factor is increased by 0.033 for every quarter year of age to a maximum of 2.4 percent at age 63 and over.

### **Air Time**

See nonqualified service credit

### **Annual Benefit Adjustment (formerly COLA)**

Automatic, annual increases to the monthly benefit, starting September 1 after the first anniversary of the effective date of the benefit. Calculated at 2 percent of the initial benefit.

### **Annual Statement of Account**

A statement mailed directly to active and inactive members each year that provides a summary of Defined Benefit Program and Defined Benefit Supplement Program transactions during the prior year, service credit, contribution and interest balances, key provisions of the CalSTRS DB and DBS Programs and death benefit recipient information as of the previous June 30. If you have purchased additional service credit or redeposited contributions that were previously refunded, the changes will first appear on the statement of account for the fiscal year during which

the final payment was made. Cash Balance Benefit Program participants are mailed a statement of their account's contributions and accrued interest.

### **Annuity**

*Single-Life Annuity with Cash:* A lifetime monthly payment. Any balance remaining upon your death will be paid to your one-time death benefit recipient or recipients.

*Single-Life Annuity without Cash:* A lifetime monthly payment with no cash refund payable upon your death.

*100% Joint and Survivor Annuity:* Provides a monthly payment for your lifetime and the lifetime of your annuity beneficiary. One hundred percent of your monthly annuity would be paid to your option beneficiary upon your death.

*50% Joint and Survivor Annuity:* Provides a monthly payment for your lifetime and the lifetime of your annuity beneficiary. Fifty percent of your monthly annuity would be paid to your option beneficiary upon your death.

*Period-Certain Annuity:* A monthly payment made for any number of years from three to 10. The amount you receive is based on the number of years over which the annuity is paid; the lower the number of years, the higher the annuity. If you die before the annuity period ends, the remaining payments are paid to your one-time death benefit recipient or recipients.

## B

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### **Beneficiary**

Any person or entity receiving or entitled to receive payments because of the death of a member. Only a person (not an estate, trust or corporation) may be designated to receive an option benefit upon the death of a member.

**Benefit**

A monthly amount payable to a retired member, disabled member or beneficiary.

**Benefit Formula (Service Retirement)**

For the unmodified benefit, multiply service credit by the age factor then by final compensation. If choosing an option, multiply the unmodified benefit by the appropriate option factor.

**C**

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**CalPERS**

California Public Employees' Retirement System

**CalSTRS**

California State Teachers' Retirement System

**CalSTRS Home Loan Program**

A program for DB members and CB Benefit Program participants to apply for conventional, fixed-rate and first mortgage loans to purchase or refinance primary residences.

**Career Factor**

For members who retire on or after January 1, 1999, with at least 30 years of earned service credit, 0.2 percent is added to the age factor up to a maximum age factor of 2.4 percent, which is reached at age 61½.

The career factor (see Section 6, Your Retirement Benefit) does not apply if the member dies before retirement without a pre-retirement election of an option on file at CalSTRS.

**Cash Balance Benefit Program**

Alternative CalSTRS retirement plan for educators hired to work part time. Cash Balance Benefit Program is an alternative to Social Security, private plans or the CalSTRS Defined Benefit Program.

**Concurrent Retirement**

Retiring at the same time from CalSTRS and from certain other California public retirement systems (Legislators' Retirement System, Public Employees' Retirement System,

San Francisco City and County Employees' Retirement System, University of California Retirement System or those systems established under the County Employees' Retirement Law of 1937). CalSTRS may use the salaries for service performed under the other retirement system to calculate the CalSTRS retirement benefit if the service was not performed during the same pay period.

**County Employees' Retirement Law of 1937**

The 1937 Act law includes retirement systems from the following counties: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura. Also known as '37 Act counties.

**Coverage A**

The disability allowance and family allowance programs that existed on or before October 15, 1992. Coverage A is mandatory for all members of the DB Program who were receiving a disability benefit or a service retirement benefit with a benefit effective date on or before October 15, 1992. Members who were not receiving a benefit on or before October 15, 1992, were permitted to retain this coverage or elect Coverage B.

**Coverage B**

The disability retirement and survivor benefits programs that became effective after October 15, 1992. Coverage B is mandatory for all new members. Active members who were hired on or before October 15, 1992 may have elected this coverage.

**Creditable Compensation**

Salary and other remuneration payable in cash by an employer to a member for creditable service.

**Creditable Service**

Specific employment activities such as teaching, vocational or guidance counseling, services related to school curriculum and a variety of administrative duties performed for a school district, community college district or county superintendent of schools.

**Credited Interest**

At the end of each fiscal year, interest is credited to the accumulated DB contributions and interest in each active and inactive member's account at the interest rate adopted by the Teachers' Retirement Board. It is currently set at a rate that approximates the yield on two-year Treasury notes.

**Credited Service**

Service credit for which required contributions have been paid.

**D****Defined Benefit**

A retirement benefit in which the benefit is guaranteed and generally based on a formula.

**Defined Benefit Program**

A benefit program within the State Teachers' Retirement Plan that provides retirement benefits based on a formula using age, service credit and final compensation, as well as ancillary benefits, for California's public school educators who are members of the program.

**Defined Benefit Supplement Program**

A supplemental benefit program with benefits based on contributions and interest credited to individual member's accounts. Funds will come January 1, 2001, through 2010, from 25 percent of each member's monthly CalSTRS contribution and starting July 1, 2002, from compensation earned from service in one school year in excess of one year of service credit.

**Defined Contribution**

A retirement benefit in which the benefit is based on the contributions plus interest earnings and is not guaranteed for life.

**Disability Allowance (Coverage A)**

A feature of the Defined Benefit Program selected by and offered to individuals who became members on or before October 15, 1992, that provides income replacement for disabled members. The allowance is paid as long as the individual is disabled or until the age of 60 when the member becomes eligible for service retirement.

**Disability or Disabled**

A medically determinable physical or mental impairment that is permanent or that can be expected to last continuously for at least 12 months. The disability must prevent a member from performing the member's usual duties with reasonable modifications or the duties of a comparable level for which the member is qualified or can become qualified by education, training or experience. A member may apply for disability while still employed. Any impairment from a willful self-inflicted injury does not constitute a disability.

**Disability Retirement (Coverage B)**

A feature of the Defined Benefit Program for individuals who became members after October 15, 1992, or elected this feature during the special election held October 1992 to April 1993. Those receiving payments under Coverage B are "retired" and will be paid as long as they are disabled, without respect to age.

**Disabled Member**

A member to whom a disability benefit is payable.

## **E**

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### **Early Retirement Limited Term Reduction Program**

A retirement alternative for Defined Benefit members. A member must be at least age 55, but under age 60, and have at least five years of credited service, for retirement under this alternative. The member receives one-half the monthly benefit amount calculated as if the member were age 60. The reduced benefit will continue for the same number of months after age 60 that benefits were received before age 60. After that, the normal service retirement benefit will be paid.

### **Earnings Limit**

The amount a disabled or retired member may earn in a month without a reduction in the CalSTRS benefit.

### **Eligible Child**

Coverage A: A member's unmarried offspring, adopted child or stepchild under age 22 who is dependent upon the member on the effective date of the disability benefit or the date of the member's death.

Coverage B: A member's child, adopted child or stepchild, under 21 years of age, if dependent on the member on the effective date of disability retirement or the date of the member's death.

## **F**

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### **Family Allowance (Coverage A)**

An amount paid to the surviving spouse or partner with eligible children after the member's death. The maximum amount is 90 percent of the member's final compensation; 40 percent for spouse or partner and 10 percent for each eligible child, to a maximum of five children. Also provides Option 3 benefit to spouse or partner at age 60.

### **Final Compensation**

The highest average annual compensation earnable by a member during a specified period of CalSTRS-covered paid employment. The period is one year if the member has at least 25 years of credited service or if it is included in a written collective bargaining agreement for classroom teachers. The period is three consecutive years for members with fewer than 25 years of service credit.

### **Full Time**

The number of days or hours of creditable service the employer requires a class of employees to perform in a school year under a collective bargaining or employment agreement to receive the earnable compensation.

## **I**

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### **Indexed Final Compensation**

The final compensation used to determine your disability benefits, multiplied by the Indexed Final Compensation factor, based on the year of your initial benefit.

### **Indexed Final Compensation Factors**

Factors developed annually based on the change in the members' statewide average earnable salary. These factors are used to calculate indexed final compensation.

## **L**

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### **Longevity Bonus**

An increase to the monthly unmodified retirement benefit of those who accumulate at least 30 years of service credit before January 1, 2011, regardless of when they retire.

## M

### Member

Any person who has performed creditable service in the Defined Benefit Program for an employer and has earned compensation for that service and has not received a refund for that service, unless specifically excluded by law.

**Active Member:** A member who earns creditable compensation during the school year.

**Inactive Member:** A member who, by the pay period ending June 30, has not earned creditable compensation during the school year.

**Disabled Member:** A member to whom a disability benefit is payable.

**Retired Member:** A member who has terminated employment and has retired for service or has retired for disability and to whom a retirement benefit is payable.

**Vested Member:** A member who has accrued five years of credited service to be eligible for service retirement, disability retirement or disability benefit.

## N

### Nonconsecutive Final Compensation

The highest average annual compensation earnable during any period of three years of paid employment covered by CalSTRS. Available for those members who received a salary reduction due to a reduction in school funds. Upon certification from the employer, CalSTRS will use the highest three nonconsecutive school years to determine final compensation.

### Nonqualified Service Credit

Service not connected to any prior specific employment.

## O

### One-Time Death Benefit

A one-time benefit made to the recipient(s) after a member dies.

#### Option

Plan feature that allows a member to redistribute the retirement benefit over the lifetime of the member and another person or persons.

**Option 2:** Upon the member's death the modified benefit will continue to be paid to the option beneficiary for life.

**Option 3:** Upon the member's death, one-half the modified benefit will continue to be paid to the option beneficiary for life.

**Option 4:** Upon the death of either the member *or* the option beneficiary, two-thirds the modified benefit will continue to be paid to the survivor for life.

**Option 5:** Upon the death of either the member *or* the option beneficiary, one-half the modified benefit will continue to be paid to the survivor for life.

**Option 6:** Upon the member's death, the modified benefit will continue to be paid to the option beneficiary for life. If the option beneficiary predeceases the retired member, the retired member's benefit will be raised to the unmodified level.

**Option 7:** Upon the member's death, one-half the modified benefit will continue to be paid to the option beneficiary for life. If the option beneficiary predeceases the member, the member's benefit will be raised to the unmodified level.

**Option 8:** Upon the member's death, benefits will be paid to multiple option beneficiaries for life. The benefit paid to an individual beneficiary depends on which of Option 2 through 7 was selected for that beneficiary, and what percentage of the total benefit was subject to the option and beneficiary selected.

**Option Beneficiary**

The person named by a member to receive a lifetime monthly benefit after the member's death.

**Option Factor**

An actuarially determined factor used to calculate the amount of monthly benefit when an option is selected to provide a lifetime monthly benefit to a designated option beneficiary after the member's death.

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**P****Parent**

A natural parent or parent who adopted the member prior to the member's attainment of 18 years of age or marriage, whichever occurs earlier.

**Participant**

A person who has performed creditable service subject to coverage by the Cash Balance Benefit Program and who has contributions credited under the Cash Balance Benefit Program or is receiving an annuity under the Cash Balance Benefit Program by reason of creditable service.

**Post-Tax Contributions**

Member contributions paid into the CalSTRS Defined Benefit Program based on creditable compensation from which federal and state income taxes have been withheld.

**Projected Final Compensation**

The final compensation used to determine the Disability Allowance or Family Allowance, under Coverage A, increased by 2 percent, compounded annually, to the earlier of age 60 or the date the Disability Allowance is terminated.

**Projected Service**

Credited service plus the service that would have been earned to age 60 (or termination of the Disability Allowance, whichever

comes first) had the member continued to work and receive service credit at the same rate as the highest of any one of the three school years immediately preceding death or the date the Disability Allowance began to accrue under Coverage A.

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**R****Recipient**

A person or persons named by a member to receive the one-time death benefit

**Redeposit**

The buying back of service credit represented by previously withdrawn contributions after terminating CalSTRS-covered employment. Redeposit costs include the interest the refunded amount would have earned had the funds remained in the CalSTRS account.

**Reduced Workload Program**

A feature under which eligible members may reduce their workload from full time to part time (a minimum of 50 percent of full time) and still receive a full year of service credit. Members may participate in this program for up to 10 years before retirement.

**Refund**

A distribution of all DB member post-tax contributions, tax-deferred contributions and interest credited on those contributions after a member has terminated employment with the California public school system.

**Registered Domestic Partner (Partner)**

A registered domestic partner has many of the same rights and responsibilities as spouses under California law — including, but not limited to, laws concerning community property, child custody and support, and access to family court for the dissolution of a partnership. To register a domestic partnership with the California Secretary of State's office you and your partner must be of the same sex, or if you and your partner are opposite sexes one of the partners must be at least 62 years old.



## Reinstatement

Returning to employment in a position requiring CalSTRS membership, such as a retired educator returning to the classroom in a credentialed position and terminating of a CalSTRS benefit.

## Retirement Benefit

A monthly benefit paid to a member each month after retirement.

## Retirement Benefit Calculation

The formula used to calculate the amount CalSTRS members will receive each month after retiring for service. The formula is: service credit x age factor (2 percent at age 60) x final compensation.

## Retirement Incentive Program

A program that would increase either one of the elements used in calculating the CalSTRS service retirement benefit. This program allows DB members who are eligible to retire to receive two years of service credit often called golden handshake.

## Return of Member Contributions

A one-time payment of all accumulated member contributions. Payment equals the member's total contributions and interest at time of retirement, disability or death, less the sum of all monthly benefit payments received. This is payable when there are no longer any option beneficiaries or survivors who qualify for a continuing monthly benefit from the program.

## S

### Service Credit

Accumulated period of time in years, including partial years, for which a member earned creditable compensation and made contributions under the Defined Benefit Program. Service credit cannot exceed 1.000 in any given school year.

### Single-Month Earnings Limit (Disability Allowance, Coverage A)

The amount a disabled member may earn in any month without a reduction in the disability allowance. The member's disability allowance and employment earnings in a single month are added together and compared to the indexed final compensation for the month. Amounts in excess of the limit will be collected by CalSTRS dollar for dollar.

### Six-Month Earnings Limit (Disability Allowance, Coverage A)

The member's employment earnings and disability allowance over any continuous six-month period are compared to two-thirds of the indexed final compensation. If the member exceeds this limit, the disability allowance can be terminated.

### Subrogation

A process that permits CalSTRS to participate in an action to recoup expenses and legal costs when a third party causes the injury or death of a CalSTRS member before retirement and the member or family pursues civil litigation.

### Supplemental Benefit Maintenance Account

The account from which payments are made to members and beneficiaries whose current benefit is worth less than a specified percent of the original benefit when adjusted for increases in the California Consumer Price Index. The percentage is currently set at 80 percent.

**Surviving Spouse or  
Registered Domestic Partner**

A person who was married to a member or the registered domestic partner of a member for at least 12 months prior to the member's death. May be married or a partner fewer than 12 months if a child was born during the marriage or partnership if the surviving spouse or partner is pregnant with the member's child.

A law, effective January 1, 2004, also defines a spouse or partner as a person who was continuously married or registered to a member for fewer than 12 months prior to the accidental death of the member or for the period beginning prior to the occurrence of the injury or diagnosis of the illness that resulted in the member's death.

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**T**

**Teletalk**

An automated telephone system that provides general information about a variety of CalSTRS subjects. You can also request forms, publications, duplicate 1099Rs and statements of accounts.

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**U**

**Unmodified Benefit**

The highest monthly benefit payable to a member retired for service or disability prior to any modification for election of an option.

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**V**

**Vested Member**

A member of the CalSTRS Defined Benefit Program with five years of credited service.

**Voluntary Investment Program**

An optional, tax-deferred 403(b) savings program that complements the CalSTRS Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs.



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